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Thailand

Poultry and Products

Semi-Annual

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Report Highlights:
The year of 2003 is likely to be an unpleasant struggling year for the Thai chicken industry which will likely experience an oversupply and low price situation.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Bangkok [TH1], TH

Executive Summary

The year of 2003 is likely to be an unpleasant struggling year for the Thai chicken industry which will likely experience an oversupply and low price situation. Despite ongoing sluggish prices, total chicken meat production is forecast to further grow by 5 percent to 1.45 million tons in 2003. Because of a pressure from domestic oversupply, trade barriers within the EU, and the volatile Japanese economy, there is no sign of a recovery in chicken meat prices, both internationally and domestically, in the first half of 2003. While the chicken production cost in 2003 should be basically unchanged from 2002's level, all chicken packers will struggle to cover their losses from selling uncooked products by pushing sales of profitable cooked products. It is estimated that total chicken meat exports should increase from 450,000 tons in 2002 to 480,000 tons in 2003.

Section I: Situation and Outlook

Production

Despite ongoing sluggish prices since late 2002, Thailand's total chicken (broiler) meat production is forecast to continue to grow by 5 percent in 2003 over 2002's level. This is mainly because expansion in broiler farming by most of the integrated broiler producers has remained on course and the overall productivity of broiler farming should further improve.

As mentioned in previous reports, the outstanding profitability of the Thai chicken industry during the 2000-2001 period stimulated an expansion in production capacity, from breeding to processing, mostly among the integrated broiler producers. It is estimated that total chick production capacity in Thailand now reaches 20-22 million birds/week, as compared to only 15-16 million birds/week in 2000.

In response to low export and domestic prices for chicken meat and the gloomy outlook in the global market in 2003, several producers, especially independent producers, should slow down chicken production for most of 2003. A group of integrated chicken producers are reportedly seeking cooperation among themselves in reducing their chicken production in order to stabilize chicken and chicken meat prices. Nevertheless, this attempt may not be fully implemented as a few large integrated processors oppose this type of cooperation. All in all, the average number of chick production for 2003 is estimated to increase from about 18.5 million birds/week in 2002 to 19.0 million birds/week.

In addition to an increased number of stocks, the productivity of the chicken industry in Thailand should further improve due to the fact that, most, if not all, integrated producers are replacing the "classic-type" parent stocks with "yield-type" stocks in 2003 and they also continue to switch to evaporative cooling system barns in broiler farming. Because of these practices, the average weight of live broilers has increased from 1.8-2.0 kg/bird to currently 2.2-2.4 kgs/bird. Meanwhile, the average feed conversion ratio (FCR) is around 1.8-1.9, as opposed to 2.0-2.1 of recent history, reflecting lower incidences of disease outbreak and increased daily weight gain of the flocks.

Production costs in the Thai chicken industry in 2003 are likely to be close to 2002's level (24-25 baht/kg live weight), when the effect of increasing feed costs may be offset by that of an improved FCR and increased live weights of the new variety broilers. Trade sources indicated that prices for major poultry feed ingredients (such as corn, soy meal, palm oil, etc.) have been rising, due mainly to stronger global agricultural prices and increased transportation costs. Transportation costs have reportedly almost doubled, due to higher gasoline prices and the new policy of conducting strict enforcement of weight-limits for all trucks used for transporting goods. As a result, the average poultry feed costs should increase about 5-8 percent from those in 2002. The cost in 2003 (approximately 24.50 baht/kg live weigh) for integrated producers is roughly derived from day-old chicks (3.00 baht), feed (18.00 baht), vaccination and drug (1.00 baht), labor (2.00 baht), and other costs (0.50 baht).

Consumption

Domestic chicken meat consumption should continue to grow steadily by 7-10 percent in 2003, due mainly to its relatively low price compared to other types of meat and to a recovery in the Thai economy. In anticipation of the prevailing supply surplus, chicken meat prices in 2003 are likely to further decline and lead many consumers to switch to broiler meat. Meanwhile, the economy is forecast to grow by 4-5 percent over 2002 level.

Domestic prices for live broiler and chicken meat have softened in recent months, following unfavorable export demand, high stocks, and increased production. Live broiler prices are currently 20-23 baht/kg (21-24 cents/pound), down from 22-24 baht/kg (23-25 cents/pound). Meanwhile, retail prices for chicken boneless breast meat in Bangkok also decreased from 62-63 baht/kg in the last quarter of 2002 (Oct-Dec) to 60-61 baht/kg in January 2003.

Trade

Despite having some advantage over other supplier countries in the light of its focus on high-value cooked products, the Thai chicken industry will struggle more in 2003, due to a worldwide surplus in chicken meat supplies that has led to weakened prices, more stringent sanitary requirements by importing countries (e.g. the EU), and the volatile Japanese economy. Total export of chicken meat in 2003 is estimated to reach 480,000 tons, up from 450,000 tons in 2002. In order to avoid intense competition from other supplier countries, Thai processors will continue to push exports of cooked products. As a result, exports of cooked chicken meat should increase to 170,000 tons in 2003, as opposed to about 140,000 tons in 2002. Meanwhile, exports of uncooked chicken products should basically remain unchanged at 310,000 tons.

Trade sources reported that there has been no sign of a recovery in export prices for chicken meat in the first half of 2003. The C&F prices for uncooked skinless boneless breast meat (SBB) shipped to the EU market are currently US$ 1,500-1,600/ton, down from the average US$ 2,450/ton in 2002. Meanwhile, prices for uncooked boneless leg meat (BL) are currently US$ 1,100-1,200/ton, as compared to US$ 1,600/ton in 2002. While uncooked product prices have declined severely, cooked products are much less affected. Typical C&F prices for SBB cooked products range from US$ 3,000-4,000/tons.

Like other suppliers, Thai processors are facing increased trade barriers from the EU. The EU recently disagreed with the Thai request to drop or lower the 100 percent sampling of chicken meat imported from Thailand for the Nitrofuran residue test, which began in March 2002. Trade sources indicated that this practice is time-consuming and costly to the Thai packers and the EU importers. In fear of possible shipment rejection, Thai packers voluntarily conduct the residue test before shipment loading, which usually takes a week to complete. Upon a port arrival, the samples of all product containers will be tested again by the EU authorities which normally takes 1-2 weeks for completion. In addition, the EU has reclassified prepared chicken products in its harmonized custom codes to curb chicken meat imports. As mentioned in the 2002 Annual Report (TH2075), Thailand exports uncooked chicken meat products in the salted-item category to enjoy the lower tariff rate of 15.4 percent, instead of paying about US$ 1,000/ton tariff for unsalted chicken meat. The EU initiated a new definition in 2002 that salted chicken must contain not less than 2.0 percent of salt and must be throughly marinated. The trade believes this requirement was created to force Thai packers and others out of the lower tariff rate of the salted-item chicken meat. According to the industry, there is possibility that the EU may increase the salt content in 2003, from 2% to 3%, as a criterion for the definition of salted chicken meat.

Policy

There has been no change in Thailand's price support and export subsidy since the latest Annual Report in 2002 (TH2075).

Marketing

In general, there has not been any significant change in marketing of Thai broiler meat product since the latest Annual Report (TH2075). However, trade sources reported that two new chicken slaughterhouses for export will be completed in 2003, adding 150,000-200,000 birds/day with the total capacity of about 2.0 million birds/day. It is also reported that a few broiler farmers recently also opened new sanitary slaughterhouses for the domestic market.

Section II: Statistical Tables

Table 1: Thailand's PS&D Table for Poultry, Meat, Chicken - 16 wks.

PSD Table						
Country	Thailand					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	Revised2001		Preliminary2002		Forecast2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	47	47	47	29	47	89
Production	1230	1230	1350	1380	1380	1450
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	1277	1277	1397	1409	1427	1539
Whole, Exports	0	0	0	0	0	0
Parts, Exports	420	438	470	450	440	480
Intra EC Exports	140	0	170	0	0	0
Other Exports	260	0	280	0	0	0
TOTAL Exports	420	438	470	450	440	480
Human Consumption	790	790	860	850	890	920
Other Use, Losses	20	20	20	20	20	20
Total Dom. Consumption	810	810	880	870	910	940
TOTAL Use	1230	1248	1350	1320	1350	1420
Ending Stocks	47	29	47	89	77	119
TOTAL DISTRIBUTION	1277	1277	1397	1409	1427	1539
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Table 2: Wholesale Prices for Live Broilers at Bangkok

Prices Table			
Country:	Thailand		
Commodity:	Plty, Meat, Chicken -16 wks		
Year:	2002		
Prices in (currency)	Baht	per (uom)	Kiliogram
Year	2001	2002	% Change
Jan	30.90	31.27	+1.2
Feb	27.52	31.00	+12.6
Mar	23.34	30.10	+29.0
Apr	27.85	22.25	-20.1
May	32.32	23.20	-28.2
Jun	33.24	25.95	-21.9
Jul	34.50	25.93	-24.8
Aug	33.27	22.10	-33.6
Sep	31.27	21.38	-31.6
Oct	28.45	22.50	-20.9
Nov	29.61	22.55	-23.8
Dec	31.50	24.31	-22.8
Exchange Rate	42.00	(Local currency/US $)	
Date of E.R. Quote: Jan-31-03			

Table 3: Retail Prices for Skinless Boneless Breast Meat at Bangkok

Prices Table			
Country:	Thailand		
Commodity:	Plty, Meat, Chicken -16 wks		
Year:	2002		
Prices in (currency)	Baht	per (uom)	Kiliogram
Year	2001	2002	% Change
Jan	68.40	72.64	+6.2
Feb	69.00	71.00	+2.9
Mar	71.54	71.00	-0.8
Apr	72.50	68.20	-5.9
May	73.79	67.50	-8.5
Jun	75.57	67.50	-10.7
Jul	77.00	67.50	-12.3
Aug	77.00	67.50	-12.3
Sep	77.00	62.98	-18.2
Oct	75.77	62.50	-17.5
Nov	74.00	62.50	-15.5
Dec	74.29	62.50	-15.9
Exchange Rate	42.00	(Local currency/US $)	
Date of E.R. Quote: Jan-31-03			

Table 4: Thailand's Chicken Meat Exports in 2002 (Jan-Nov) (Unit: Tons)

Thailand: Chicken Meat Exports in 2002 (Jan-Nov)			
Destination	Uncooked Meat	Cooked Meat	Total Exports
ASIA	235,610	69,742	305,352
Japan	179,238	60,771	240,009
Singapore	6,399	3,776	10,175
China	9,970	508	10,478
Hong Kong	2,682	2,496	5,178
South Korea	29,487	2,167	31,654
Malaysia	7,603	0	7,603
Others	231	24	255
EUROPE	70,845	43,982	114,827
The European Union	70,498	43,978	114,476
Belgium	241	1,282	1,523
Germany	33,798	2,736	36,534
Netherlands	19,660	13,396	33,056
England	15,055	24,779	39,834
France	265	623	888
Others	1,479	1,162	2,641
Other Europe	347	4	351
Switzerland	265	3	268
Others	82	1	83
MIDDLE EAST	1,207	467	1,674
Kuwait	299	0	299
Saudi Arabia	46	324	370
Dubai	147	0	147
Others	714	143	857
AFRICA	1,437	5	1,442
South Africa	1,437	5	1,442
Egypt	0	0	0
OTHERS	133	256	389
TOTAL	309,232	114,453	423,685